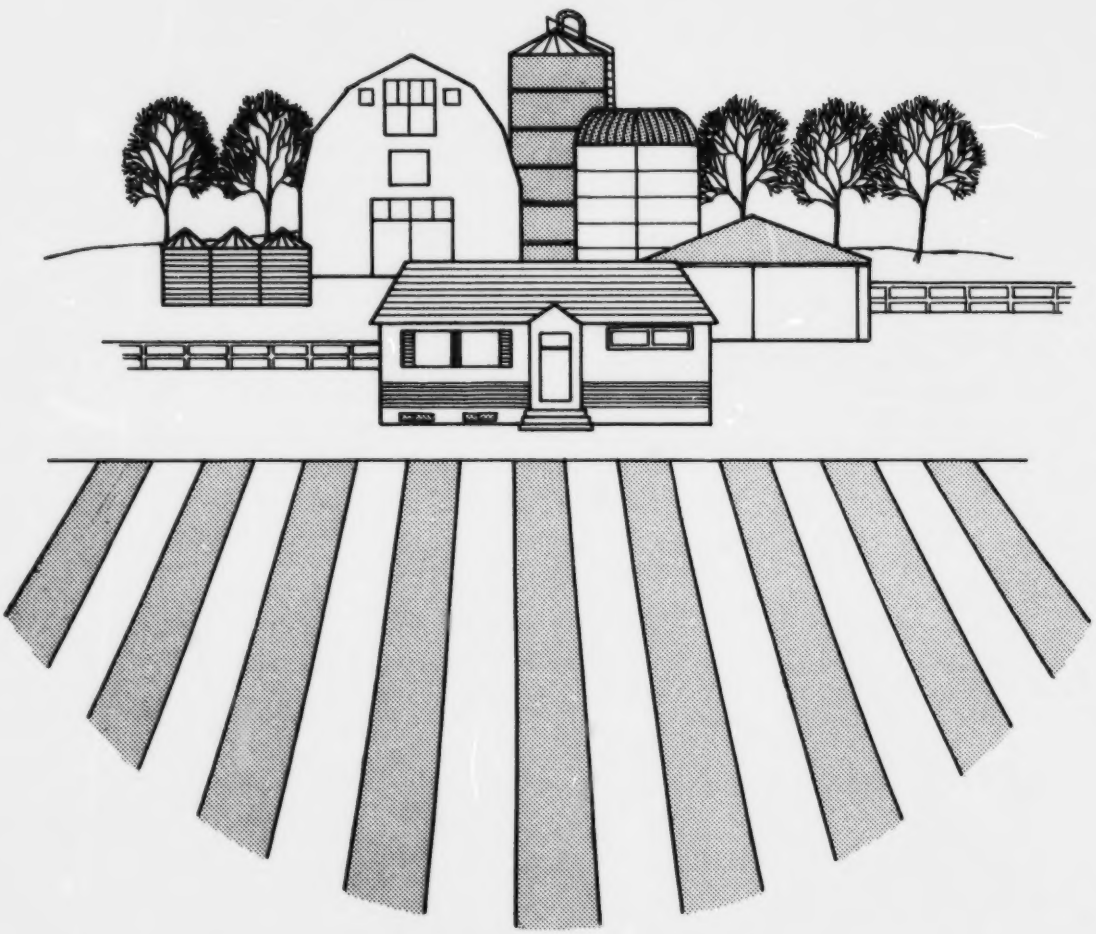
The Agricultural Real Estate Situation in Alberta 1971 - 1983



A Graphic Representation

Alberta
AGRICULTURE
Production and Resource
Economics Branch

A THIRTEEN YEAR REVIEW OF THE AGRICULTURAL REAL ESTATE SITUATION IN ALBERTA 1971 - 1983

Peter Woloshyn
Charlene Zon
Julie Egglestone

PRODUCTION AND RESOURCE ECONOMICS BRANCH
ECONOMIC SERVICES DIVISION
ALBERTA AGRICULTURE

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FOREWORD

This publication provides a thirteen year summary of agricultural real estate values in rural Alberta.

The values presented in the report were those values registered by buyers and sellers in the Land Titles offices, and compiled as agricultural real estate values between January 1, 1971 and December 31, 1983. Land and building values were not separated in the original data, and this report does not attempt to suggest values of land or buildings to prospective buyers or sellers involved in specific transactions.

Readers requiring further information or clarification should contact the Production and Resource Economics Branch at 427-4026.

ACKNOWLEDGEMENTS

The authors would like to thank Shelley Cole for typing this report. Also, a special thanks goes to Mel Miller for his creative and original suggestions for graph creation.

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I INTRODUCTION

The Production and Resource Economics Branch of Alberta Agriculture has been analyzing agricultural real estate values since 1971. The data are collected by Land Titles offices and are coded on computer tape by the Department of Municipal Affairs. From 1971 to 1983 the value of agricultural real estate was approximated by using the assurance fund values which represent the transferee's opinion of the value of the land. In 1984 the assurance fund value was replaced with a consideration value which is the actual selling price of the real estate.

Since the two data sets (i.e. 1971 to 1983 and 1984 onward) are distinct and separate, the preparation of a history in graphs of the 1971 to 1983 data was appropriate and timely. The objective of this publication is to provide a complete and meaningful set of graphs to summarize agricultural real estate values and transfer acreages for the period 1971 to 1983.

The graphs in this report are self-explanatory and therefore are not accompanied by a summary or explanation. If, however, any clarification is required, the reader is asked to contact the Production and Resource Economics Branch.

Section II describes data collection methods and analytical procedures. It also defines agricultural real estate and agricultural real estate transfer values. Graphs showing the 1971-83 trends are presented in Section III.

II DATA COLLECTION AND ANALYTICAL PROCEDURES

The basic data on all rural real estate transfers were obtained from the Assessment Operations Branch, Department of Municipal Affairs, in cooperation with Alberta Land Titles offices. Data for each parcel transferred have been coded and matched by legal description with Canada Land Inventory (C.L.I.) agricultural capability ratings. These C.L.I. ratings are assigned by computer through the Municipal Affairs Land Use Planning (LANDUP)[1] data bank.

Real estate values during the period 1971 to 1983 are based upon "assurance fund" values reported on all rural land transfers registered at Land Titles offices and legally described by Section - Township - Range - Meridian. The values are indicated in statement 4 of Form 39 of the Affidavit of Transferee (buyer or his agent), which is required under the Land Titles Act (1971). The section of land transfer document dealing with the assurance fund value, Chapter 198 of the Land Titles Act, is reproduced in Appendix A. Appendix B shows an example of selected transfer fees.

Values stated as "assurance fund" values were the records used in this report, and do not necessarily reflect the true market or real estate sales values for the land under consideration. The true market value is approximated by assurance fund reports of actual transaction or sale values of the property, as well as by assessment of the true market value when determined and vouched as such by the purchaser or his agent. Assurance fund values may be equated to "transaction value"; as approximate value of the land for the purpose of the transaction. There are occasions where stated values can vary significantly from the actual market value. Such instances include the following:

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1. C.L.I. ratings are assigned according to which class represented the largest portion of the quarter section(s) transferred.

1. estate transfers to an executor of an estate;
2. transfers of provincial crown lands to private ownership;
3. sales registered in the current year which were entered into by agreement for sale contract several years ago;
4. intra-family transfers;
5. speculation; and
6. understating of assurance fund values.

This report attempted to approximate market values as closely as possible by way of the assurance fund value[1]. Therefore, the report excluded estate transfers to executors and transfers of provincial crown lands which usually understate the value.

Canada Land Inventory (C.L.I.) classes for agriculture used in this report give an indication of the relationship between transactions and agricultural soil capability. The C.L.I. class definitions are as follows[2] :

CLASS:

1 Soils in this class have no significant limitations in use for crops;

2 Soils in this class have moderate limitations that restrict the range of crops or require moderate conservation practices;

3 Soils in this class have moderate limitations that restrict the range of crops or require moderate conservation practices;

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1. The major analytical program used to analyze data was the "Statistical Package for Social Sciences"(S.P.S.S.).

2. Partially adapted from "Soil Cabability for Agriculture in Alberta", Alberta Environment, May 1977, L.K. Brocke.

4 Soils in this class have severe limitations that restrict the the range of crops or require special conservation practices or both;

5 The severity of the limitations of these soils renders them unsuitable for annual cultivation. Class 5 soils may be improved for production of perennial forages and pastures;

6 Soils in this class have some natural grazing potential, and improvement practices are not feasible;

7 Soils in this class have no capability for arable culture or permanent pastures;

9 Organic soils (not placed in capability classes) but frequently found in the wooded regions of the province; and

0 Unclassified due to a lack of C.L.I. maps of the area at 1:250,000 scale or lower, e.g. part of the area south of the Wapiti River near Grande Prairie.

Delineation of value and parcel size into groups according to C.L.I. classes, provides greater insight into value variations relating to soil capability. However, it should be noted that land classified as C.L.I. 5 in Alberta is cultivated for field crops in some parts of the province as well as being utilized for pasture and forage. Furthermore, in some areas, good pasture and forage land are valued more highly than marginal land for field crops. This emphasized the fact that the value/soil capability (C.L.I.) relationship is not always meaningful and is strongly dependent on localized preferences, management abilities, and farming practices.

Most important is the fact that real estate includes building values, not just land values. The building value cannot be determined from the transfer data, but unpublished Statistics Canada data indicate that 25 to 30 per cent of the farm real estate value could be due to farm buildings.

The following information were compiled on a provincial, census division and municipal (County, Municipal District, Improvement District or Special Area) basis. The national parks, Improvement Districts (I.D.) 4, 9, 12, 13, and 24 were not included in the analysis.

Current values and acreages reflect those transfers considered to be agricultural or possible agricultural real estate. They include only parcels of more than 60 acres (25 hectares) which were recorded to be between $5 and $1,500 per acre ($12 and $3,700 per hectare) on the date of registration.[1]

Agricultural Real Estate

Agricultural real estate, made up of land and buildings, is one of the most important factors in the long-term viability of Alberta farms. Land is the essential element in both crop and livestock production. Buildings provide shelter for the farmer, his family and employees; shelter for livestock; and storage for crops and machinery. Farm real estate serves as an integral input to the generation of farm income, an appreciating item in the farmer's bundle of assets, and to some a commodity to be bought and sold for additional income.

Agricultural Real Estate Transfer Values

The term value is commonly used in describing worth, but it is sometimes qualified with an adjective, i.e. capital, market, productive, capitalized, economic, or aesthetic. Seldom will these values be equal to agricultural real estate values. Market imperfections and other considerations may lead to market prices which do not reflect any one of

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1. It is important to note that this limit was changed in the 1978 report to reflect inflationary trends in land values. Prior to the 1978 report, the definition for agricultural real estate included parcels of over 60 acres (24 hectares) that were valued between $5 and $1,000 per acre ($12 and $2,400 per hectare). NOTE: Defined agricultural land may contain a non-agricultural component (i.e. land in a natural or undeveloped state).

these values. This extreme case can be seen when gifts of real estate occur. Estimates by buyers and/or sellers may be affected by imperfect knowledge about the property in question and by personal expectations. Thus, the title value may not equal the market value, but merely relate to the dollar level at which a particular transaction has taken place.

Real estate values in this report refer to agricultural transfer values (assurance fund values), as an ownership transfer is registered at one of the Land Titles offices in Alberta. They represent opinions of value in real estate transfer and primarily represent proxies for average market values. Individually the figures cannot be assumed to reflect average market, productive, capitalized or economic value. There is a definite tendency for these values to be below the actual open market value. This indicates the existence of lower valued transfers within families, previous agreements for sale, and so on. Higher than market values exist in "additional considerations or speculation", but these are usually outweighed by lower than market value transfers. At the provincial level, transfer value could be considered to be within 20 per cent of the average real estate values[1]. Below the Alberta aggregation, variations from average market values can be higher or lower depending on the location and representativeness of recent transactions. However, trends and general geographic value differentials are felt to be well represented by this information.

Buying and selling real estate is a process of negotiation between buyer(s) and seller(s). The process is subject and sensitive to a wide variety of influences, such as:

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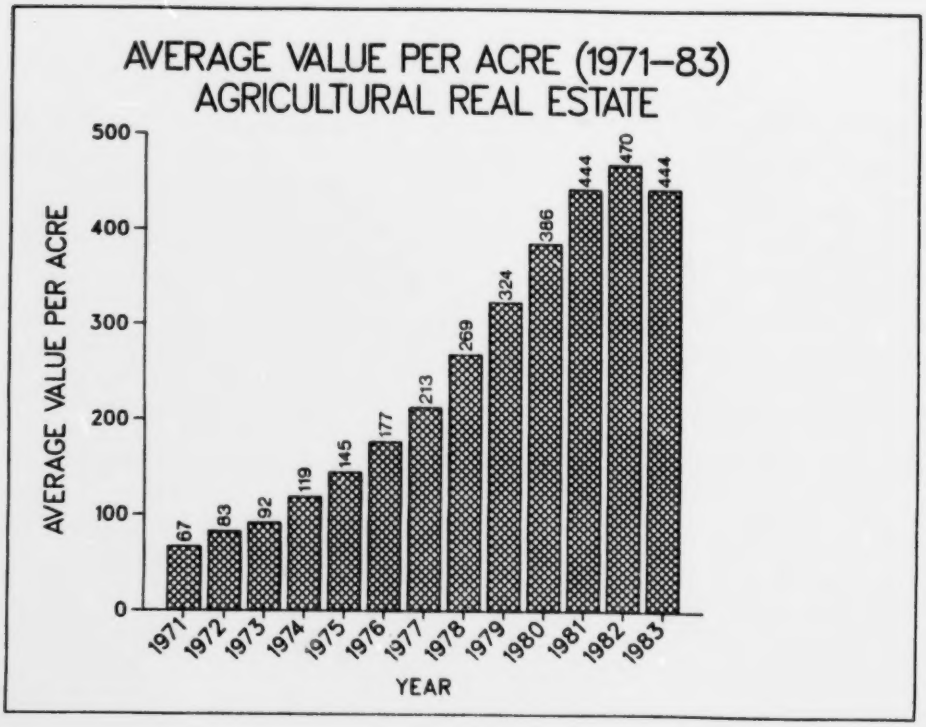
1. From the report "Agriculture Real Estate Value Check", 1982. Melville D. Miller, Resource Economics Branch, Alberta Agriculture.

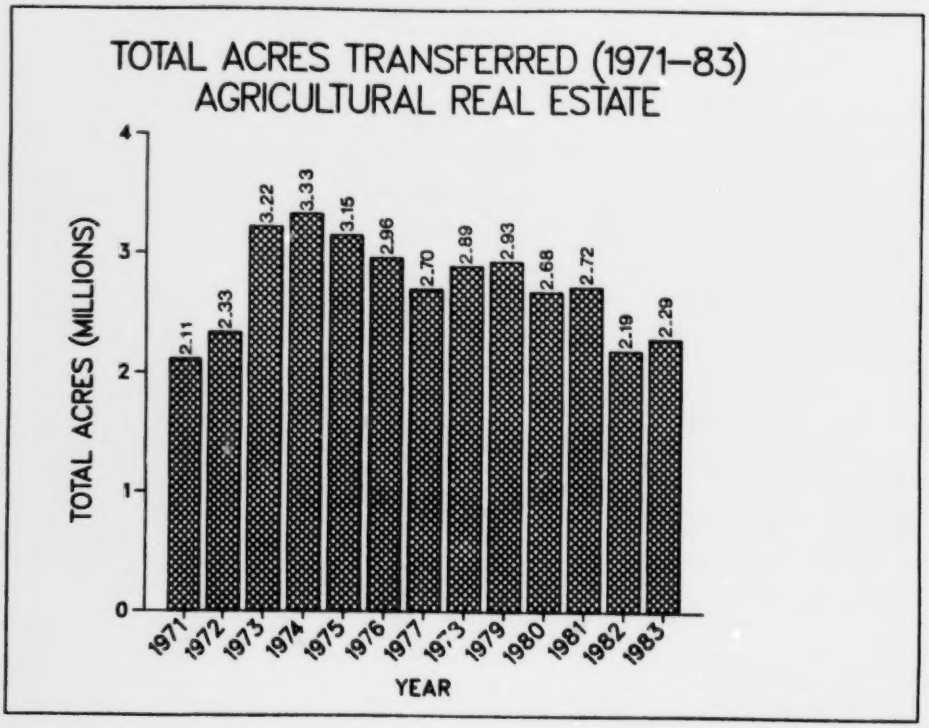
1. location;
2. chances of speculation earnings;
3. availability of money;
4. market information;
5. state of the economy;
6. housing demand; and
7. changing lifestyles.

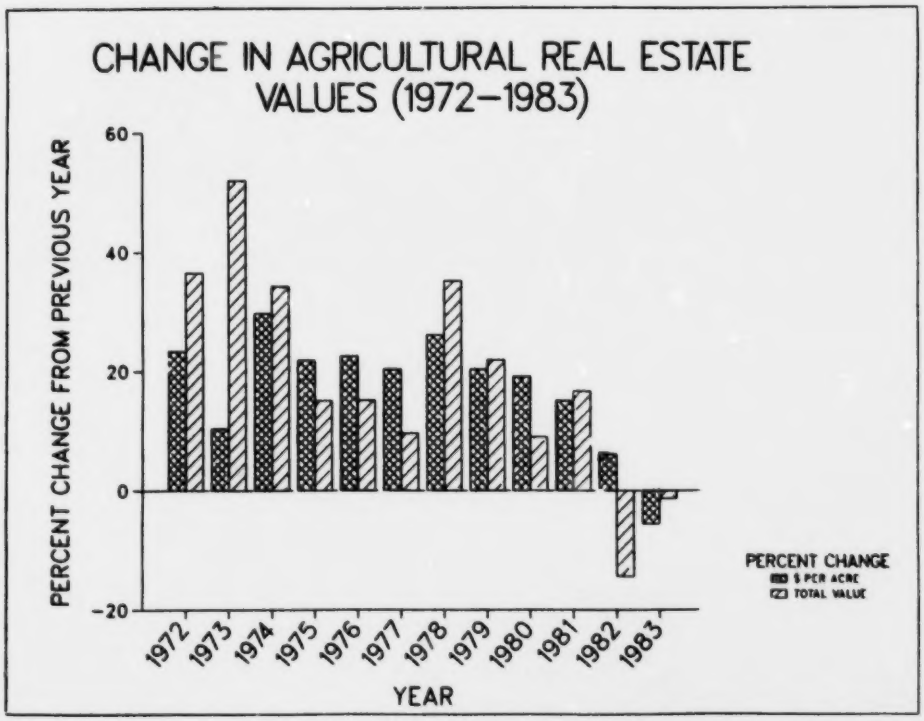
There are additional factors as the real estate market is very diverse, complex, and at times subject to considerable fluctuation. Values are good indicators of the importance of this asset in our changing society. Good agricultural land is a definite resource and the value of land is a key indicator of the property and wealth of Alberta farmers.

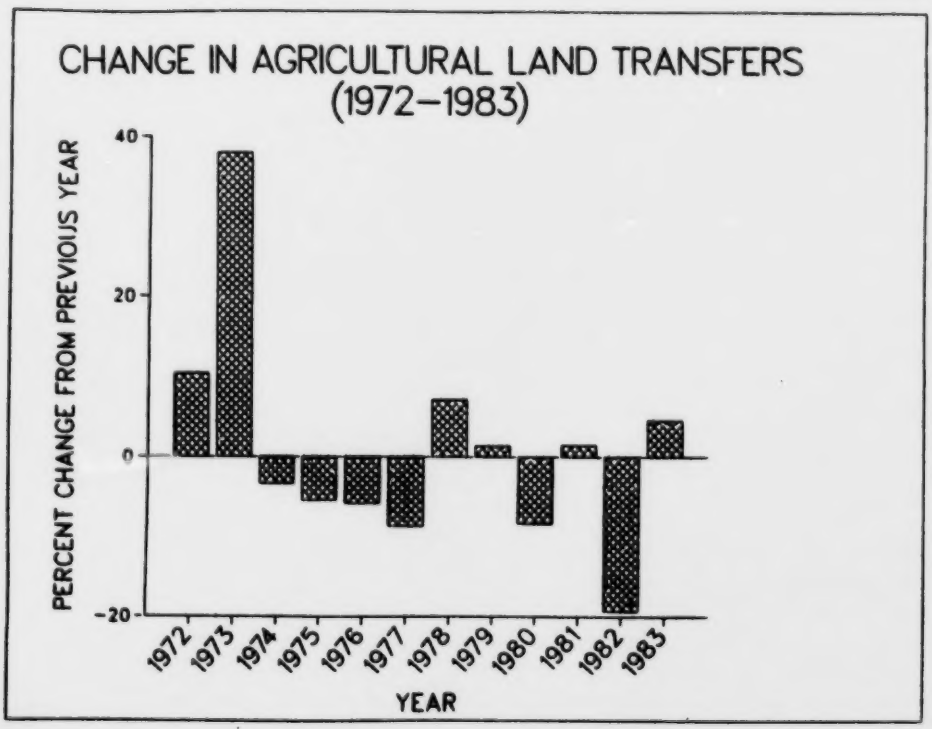
III 1971-83 FARM REAL ESTATE

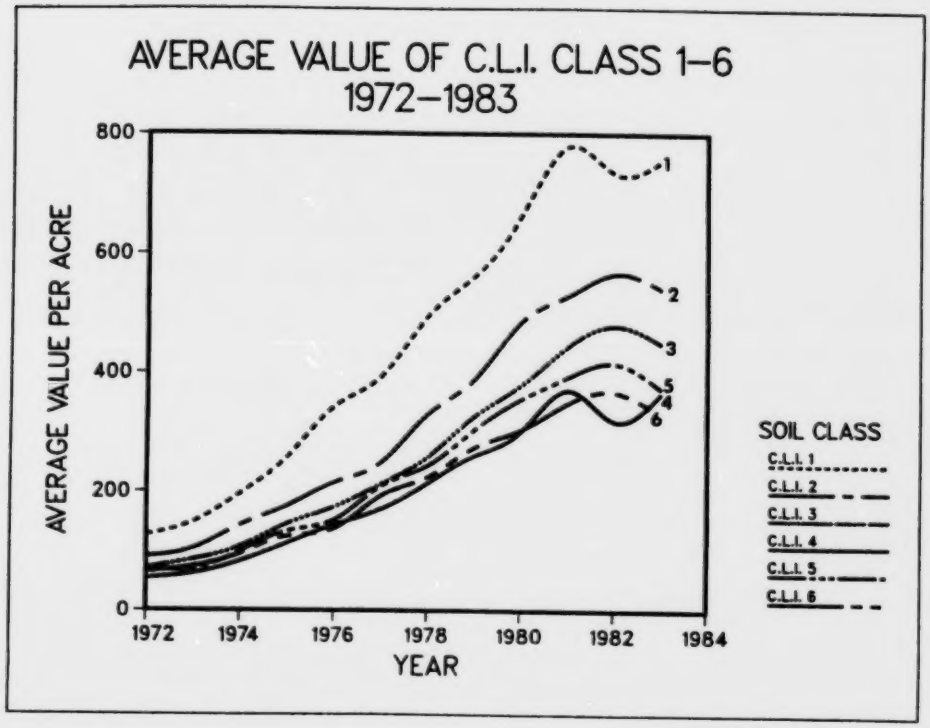
Agricultural real estate, like labor and capital, is an integral factor in the production of agricultural crops and livestock. Its relative value gives an indication of its potential contribution to overall farm income. The real estate value also gives an indication of the wealth of an individual and is a key indicator of the wealth of Alberta farms. The graphs provided in Section III clearly show the trends in value of the farm real estate stock over the 13-year period under review.

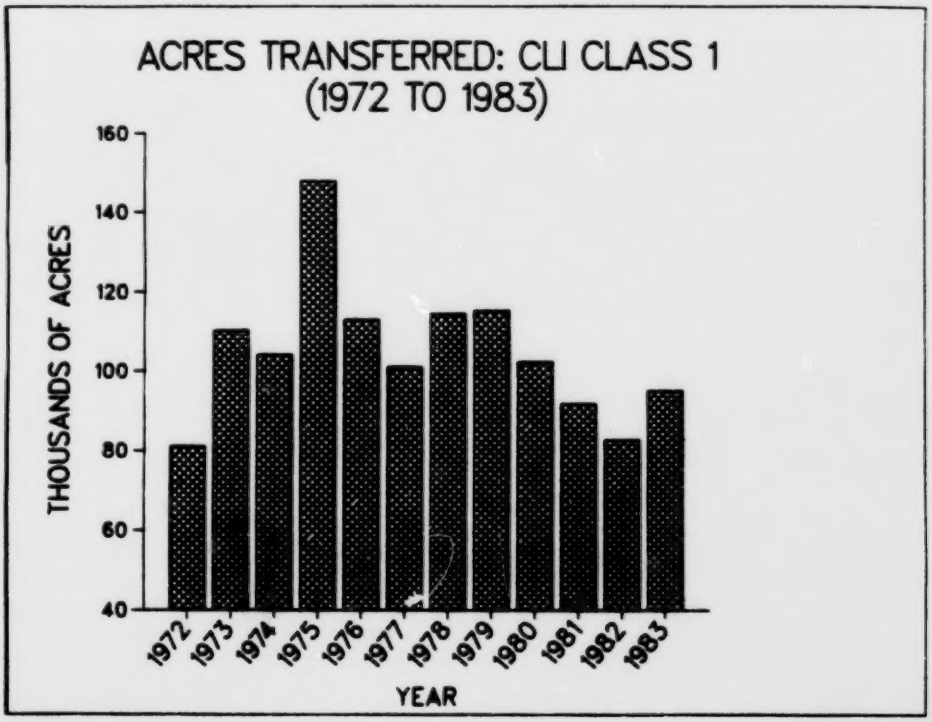

AVERAGE VALUE PER ACRE (1971–83)
AGRICULTURAL REAL ESTATE
AVERAGE VALUE PER ACRE
500
400
300
200
100
0
67
83
92
119
145
177
213
269
324
386
444
470
444
1971
1972
1973
1974
1975
1976
1977
1978
1979
1980
1981
1982
1983
YEAR

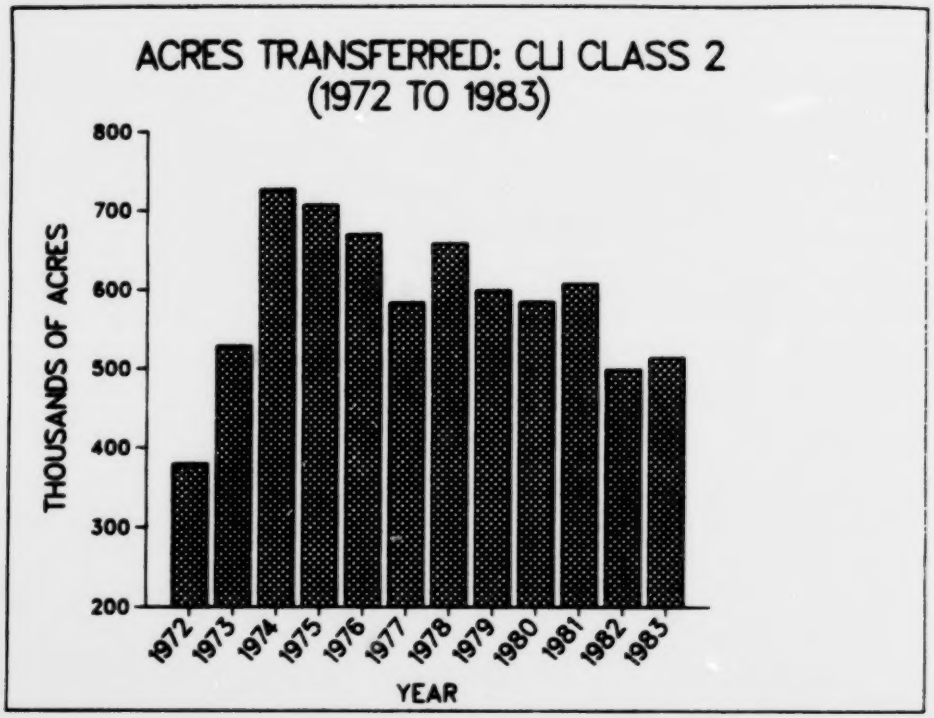

TOTAL ACRES TRANSFERRED (1971–83)
AGRICULTURAL REAL ESTATE
TOTAL ACRES (MILLIONS)
4
3
2
1
0
2.11
2.33
3.22
3.33
3.15
2.96
2.70
2.89
2.93
2.68
2.72
2.19
2.29
1971
1972
1973
1974
1975
1976
1977
1978
1979
1980
1981
1982
1983
YEAR

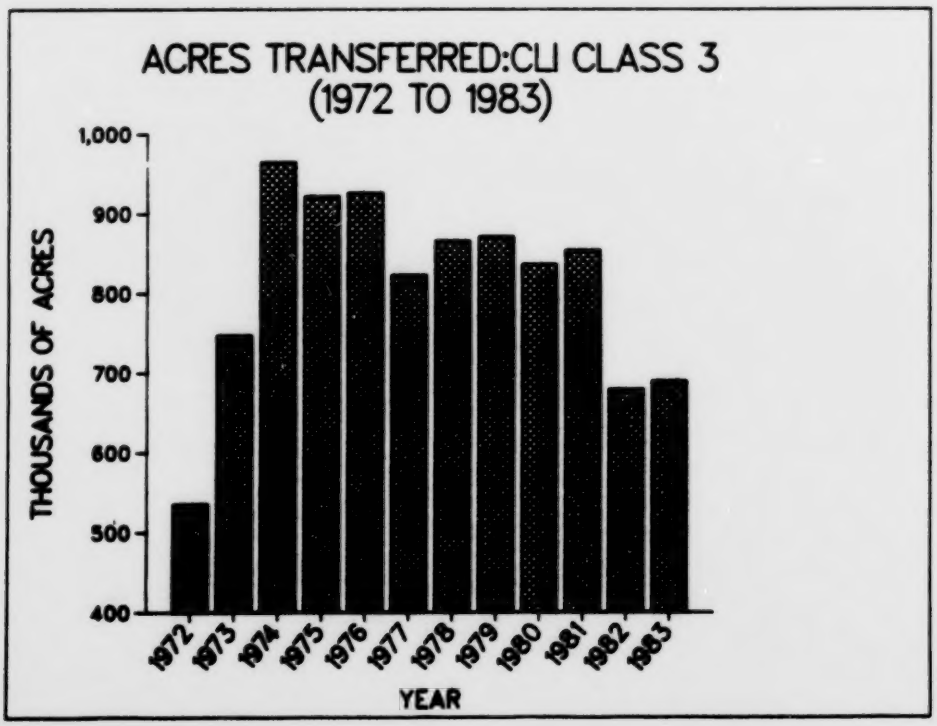

CHANGE IN AGRICULTURAL REAL ESTATE VALUES (1972–1983)
PERCENT CHANGE FROM PREVIOUS YEAR
60
40
20
0
-20
1972
1973
1974
1975
1976
1977
1978
1979
1980
1981
1982
1983
YEAR
PERCENT CHANGE
$ PER ACRE
TOTAL VALUE

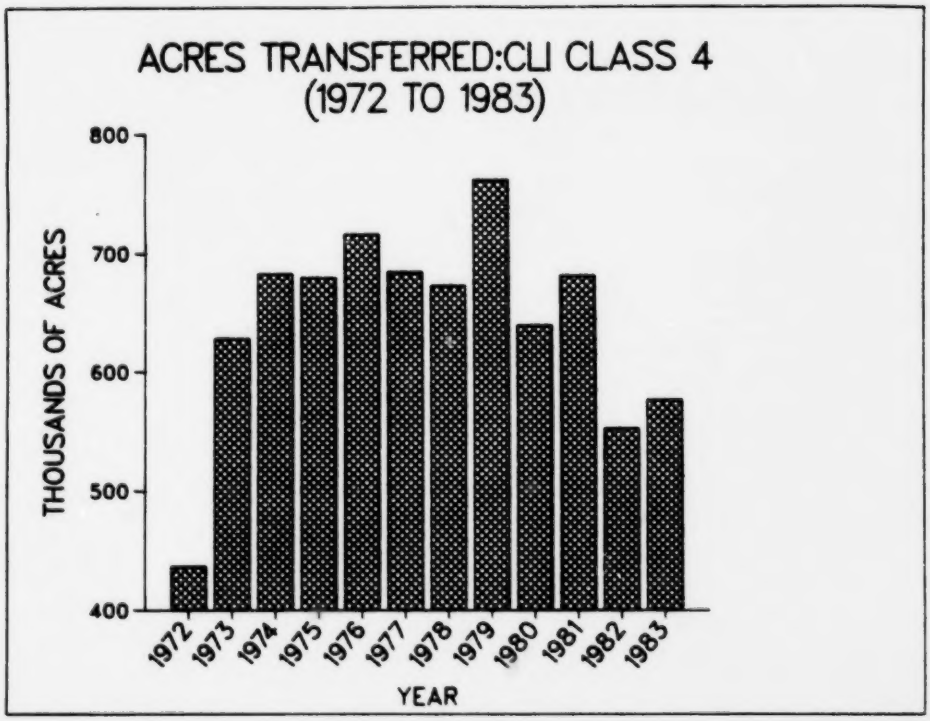

CHANGE IN AGRICULTURAL LAND TRANSFERS (1972–1983)
PERCENT CHANGE FROM PREVIOUS YEAR
40
20
0
-20
1972
1973
1974
1975
1976
1977
1978
1979
1980
1981
1982
1983
YEAR

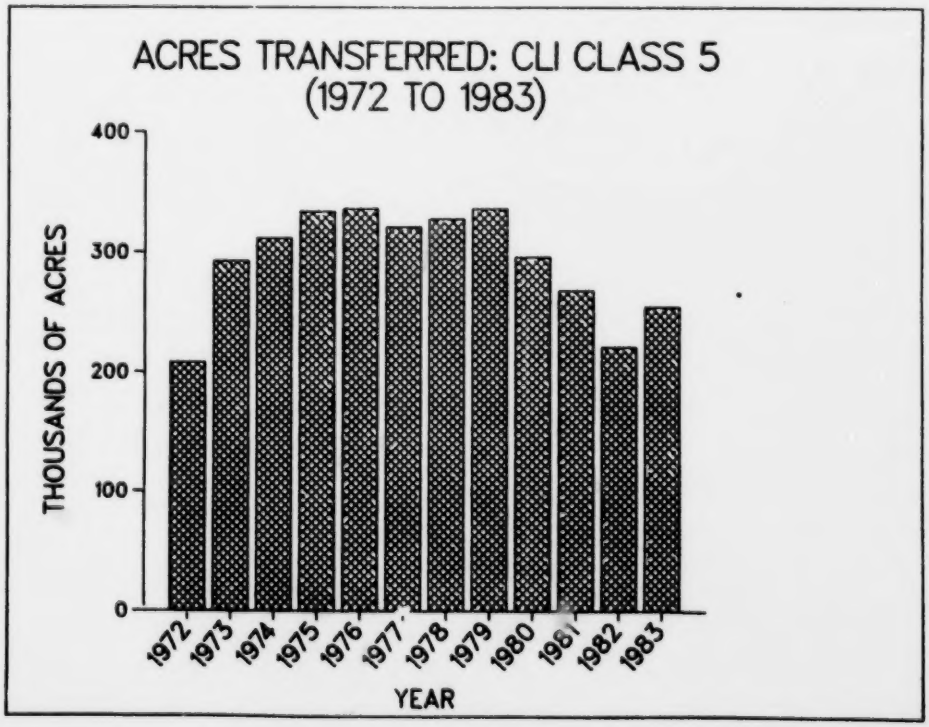

AVERAGE VALUE OF C.L.I. CLASS 1–6
1972–1983
AVERAGE VALUE PER ACRE
800
600
400
200
0
1972
1974
1976
1978
1980
1982
1984
YEAR
1
2
3
5
4
6
SOIL CLASS
C.L.I. 1
C.L.I. 2
C.L.I. 3
C.L.I. 4
C.L.I. 5
C.L.I. 6

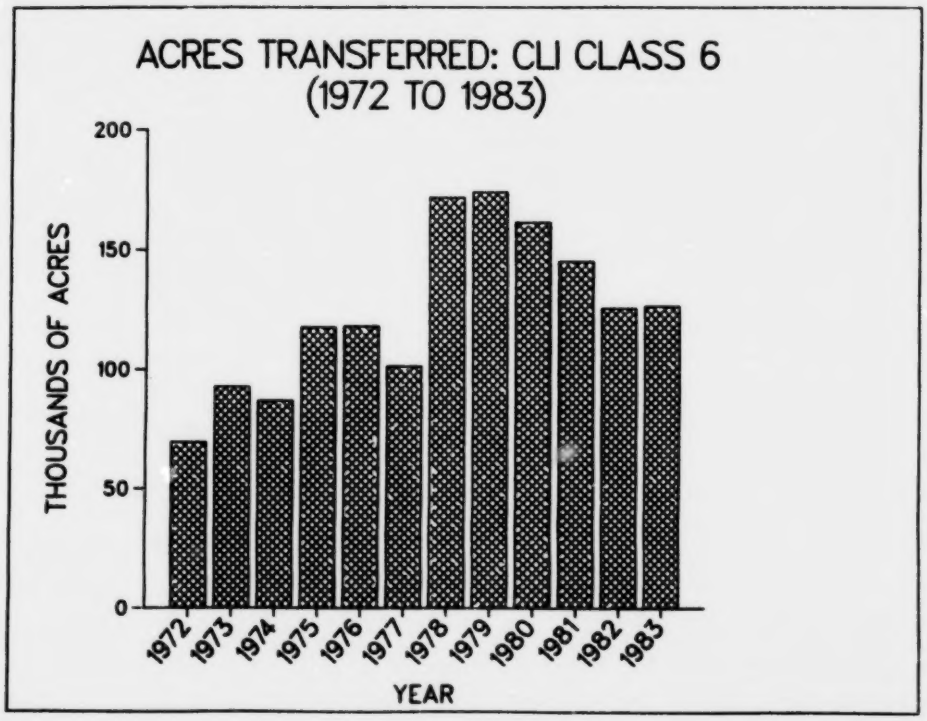

ACRES TRANSFERRED: CLI CLASS 1
(1972 TO 1983)
THOUSANDS OF ACRES
160
140
120
100
80
60
40
1972
1973
1974
1975
1976
1977
1978
1979
1980
1981
1982
1983
YEAR

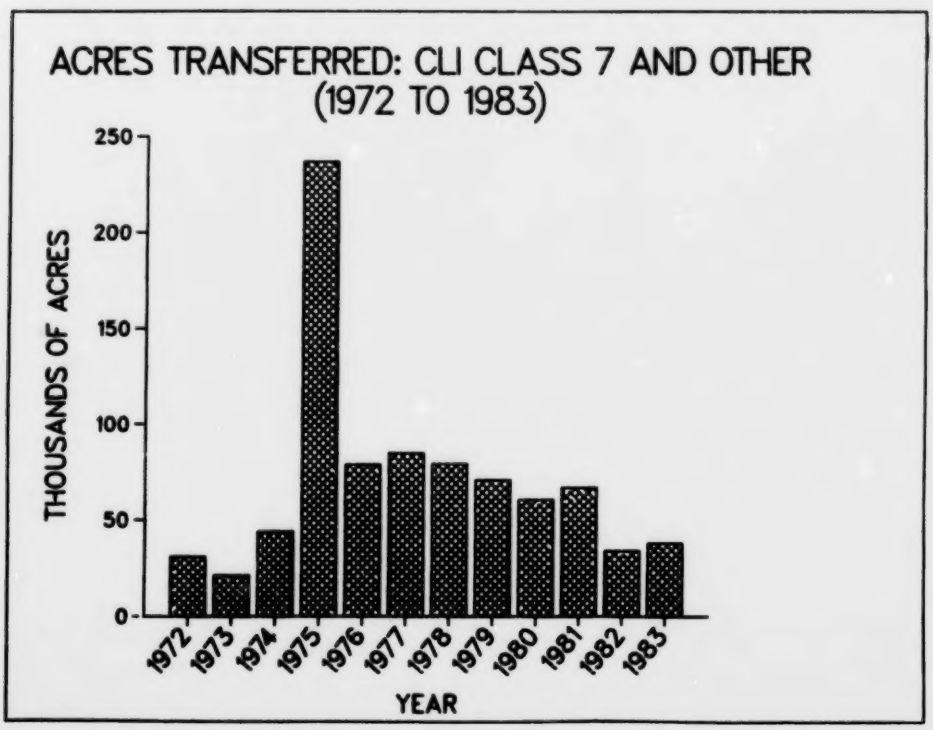

ACRES TRANSFERRED: CLI CLASS 2
(1972 TO 1983)
THOUSANDS OF ACRES
800
700
600
500
400
300
200
1972
1973
1974
1975
1976
1977
1978
1979
1980
1981
1982
1983
YEAR

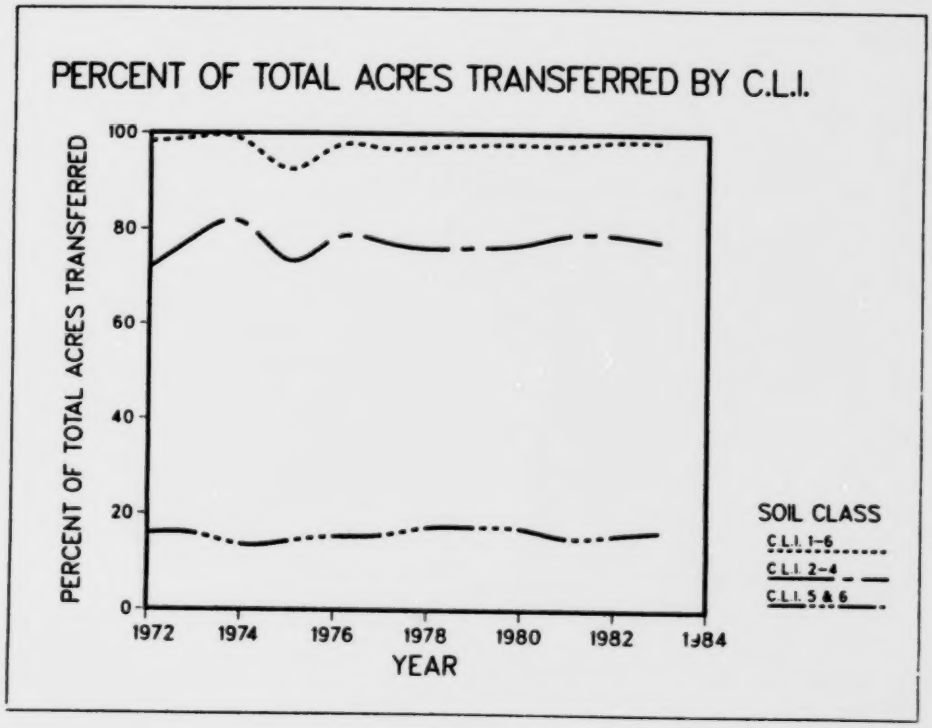

ACRES TRANSFERRED:CLI CLASS 3
(1972 TO 1983)
THOUSANDS OF ACRES
1,000
900
800
700
600
500
400
1972
1973
1974
1975
1976
1977
1978
1979
1980
1981
1982
1983
YEAR

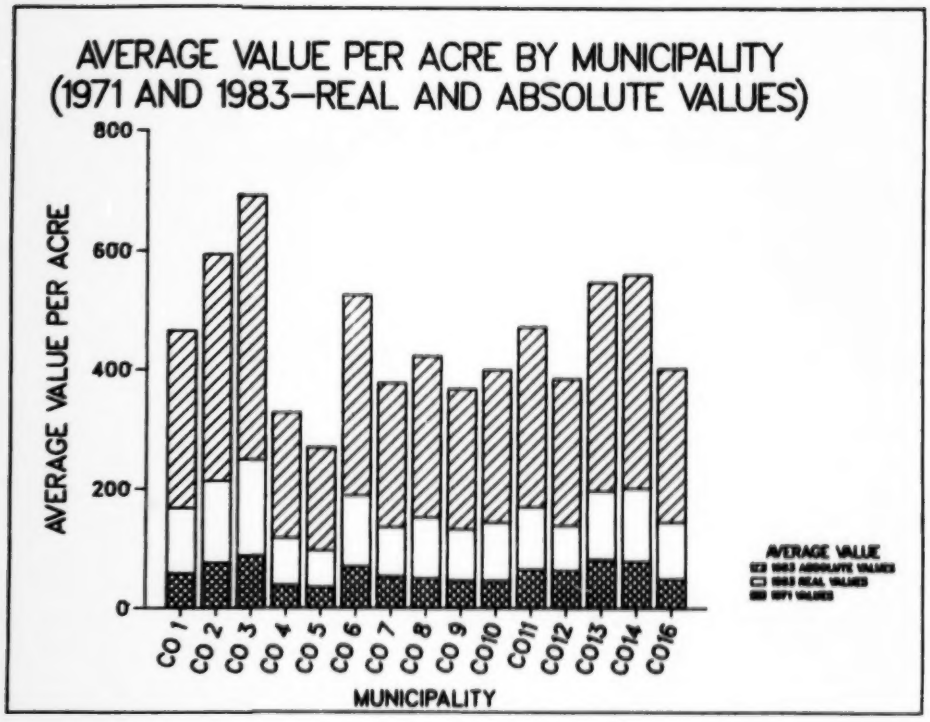

ACRES TRANSFERRED:CLI CLASS 4
(1972 TO 1983)
THOUSANDS OF ACRES
800
700
600
500
400
1972
1973
1974
1975
1976
1977
1978
1979
1980
1981
1982
1983
YEAR

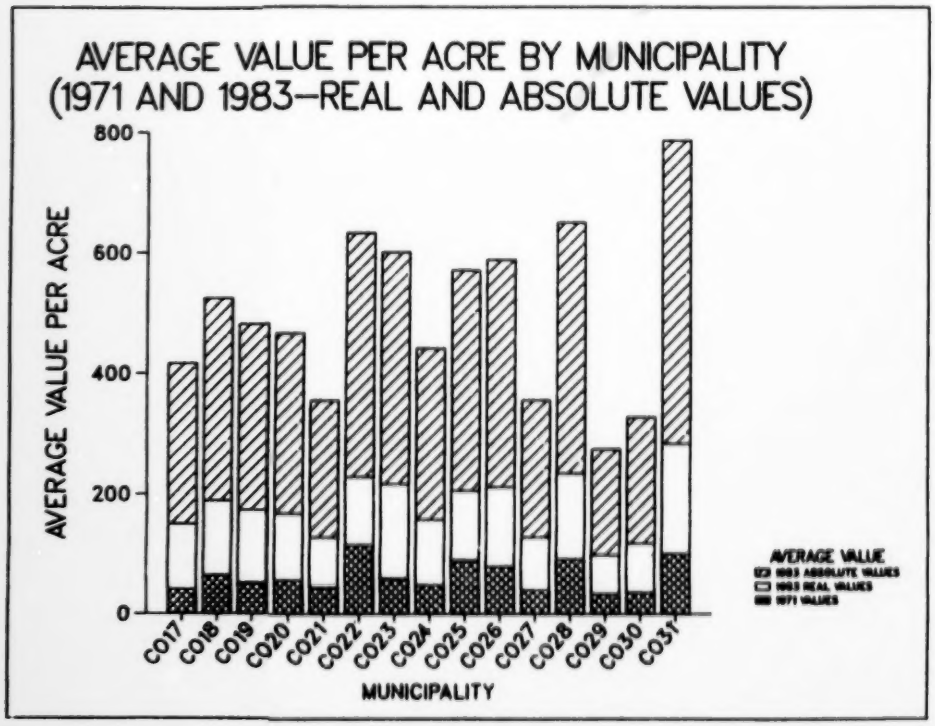

ACRES TRANSFERRED: CLI CLASS 5
(1972 TO 1983)
THOUSANDS OF ACRES
400
300
200
100
0
1972
1973
1974
1975
1976
1977
1978
1979
1980
1981
1982
1983
YEAR

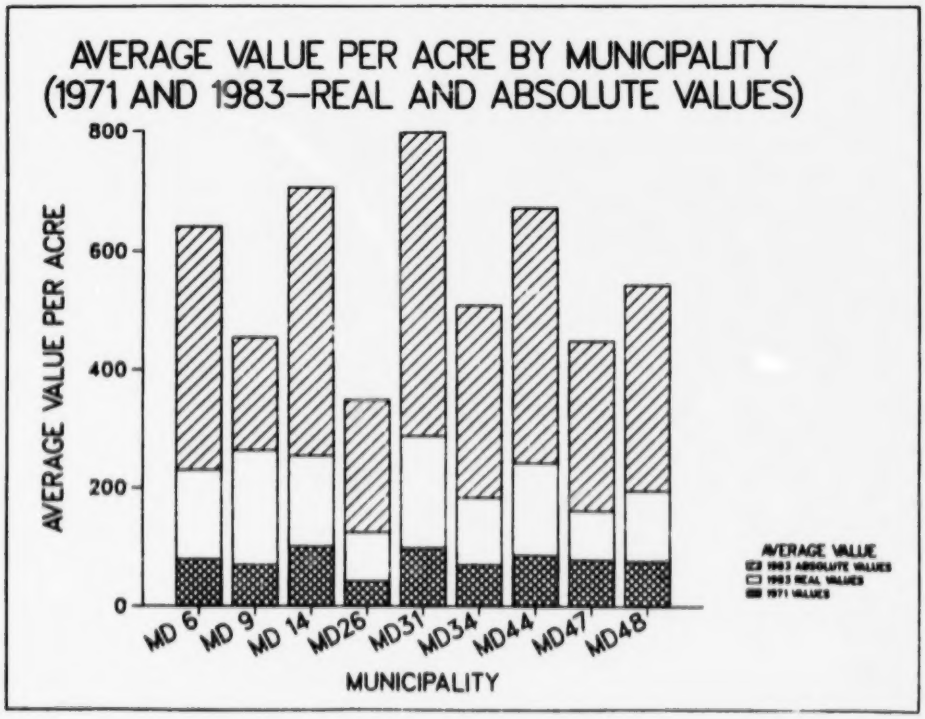

ACRES TRANSFERRED: CLI CLASS 6
(1972 TO 1983)
THOUSANDS OF ACRES
200
150
100
50
0
1972
1973
1974
1975
1976
1977
1978
1979
1980
1981
1982
1983
YEAR

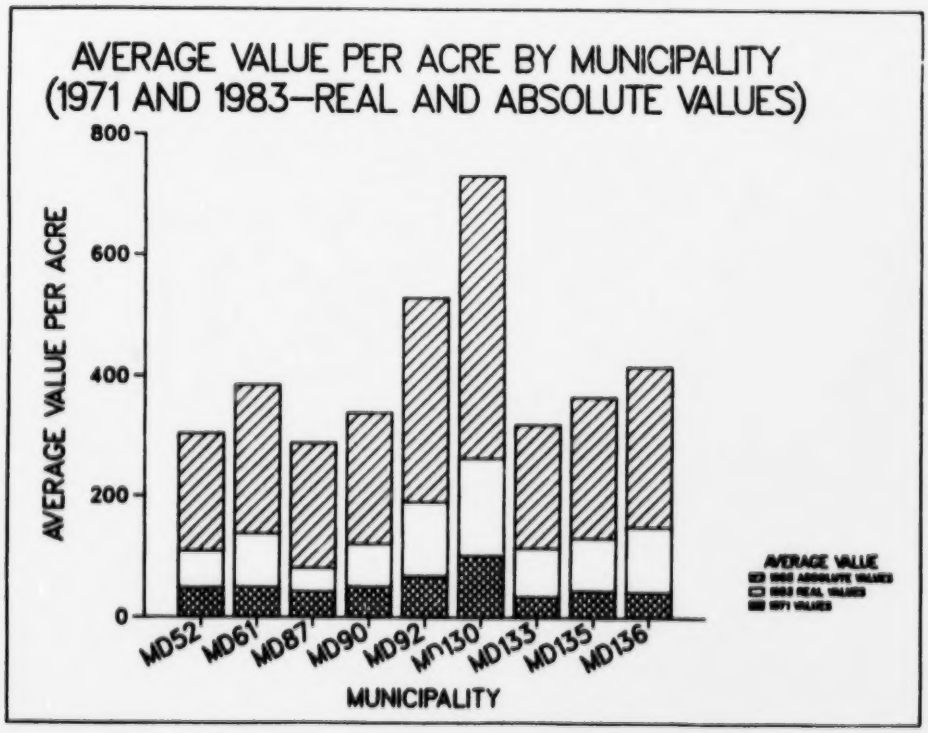

ACRES TRANSFERRED: CLI CLASS 7 AND OTHER
(1972 TO 1983)
THOUSANDS OF ACRES
250
200
150
100
50
0
1972
1973
1974
1975
1976
1977
1978
1979
1980
1981
1982
1983
YEAR

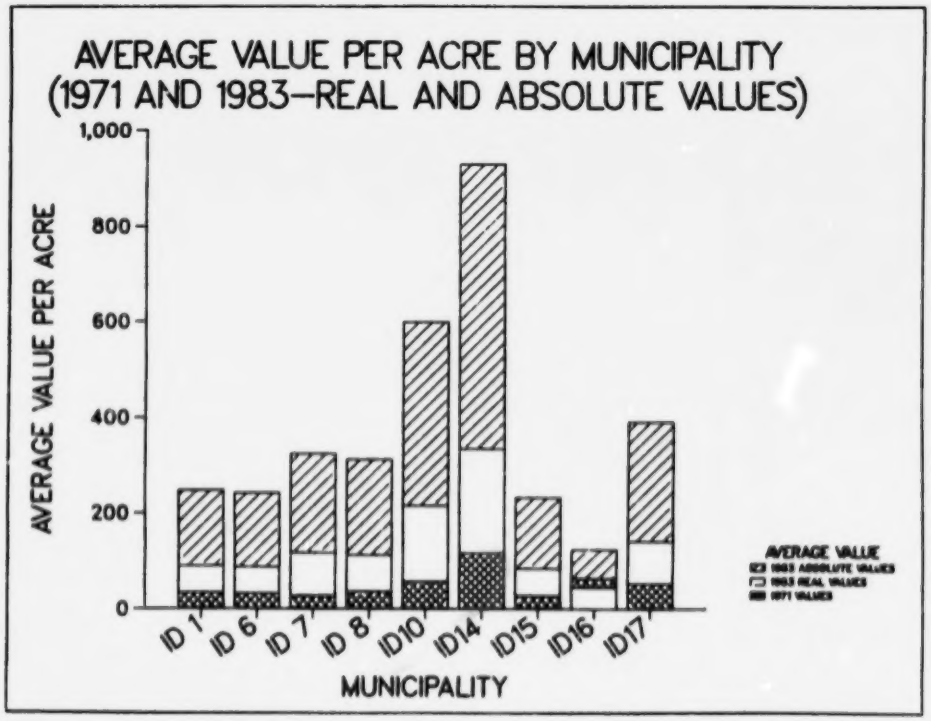

PERCENT OF TOTAL ACRES TRANSFERRED BY C.L.I.
PERCENT OF TOTAL ACRES TRANSFERRED
100
80
60
40
20
0
1972
1974
1976
1978
1980
1982
1984
YEAR
SOIL CLASS
C.L.I. 1-6
C.L.I. 2-4
C.L.I. 5 & 6

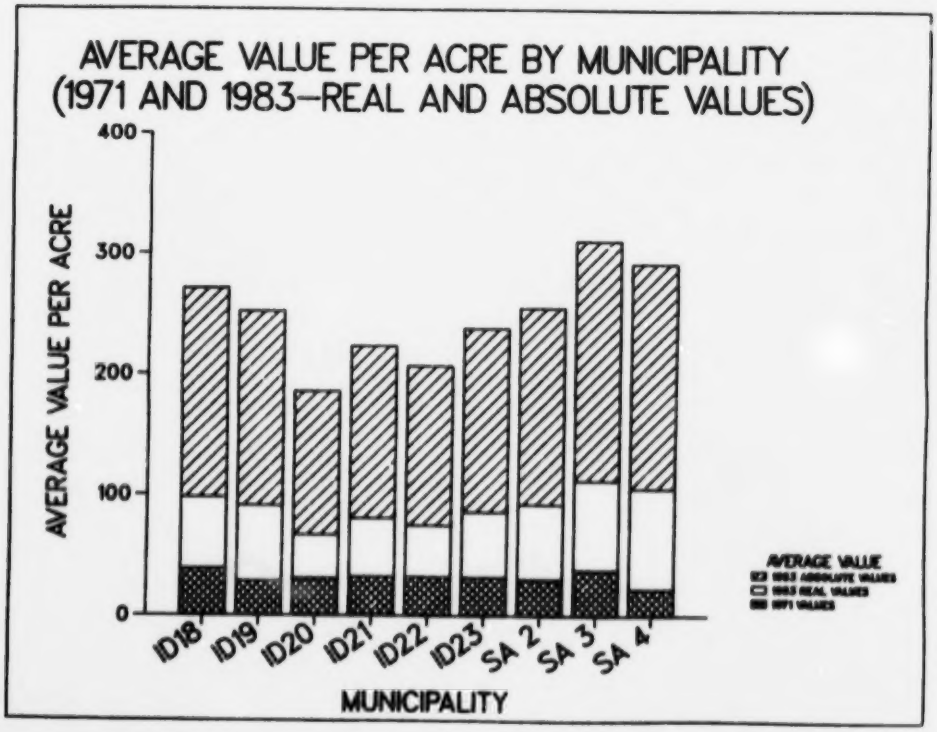

AVERAGE VALUE PER ACRE BY MUNICIPALITY
(1971 AND 1983–REAL AND ABSOLUTE VALUES)
AVERAGE VALUE PER ACRE
800
600
400
200
0
CO 1
CO 2
CO 3
CO 4
CO 5
CO 6
CO 7
CO 8
CO 9
CO10
CO11
CO12
CO13
CO14
CO16
MUNICIPALITY
AVERAGE VALUE

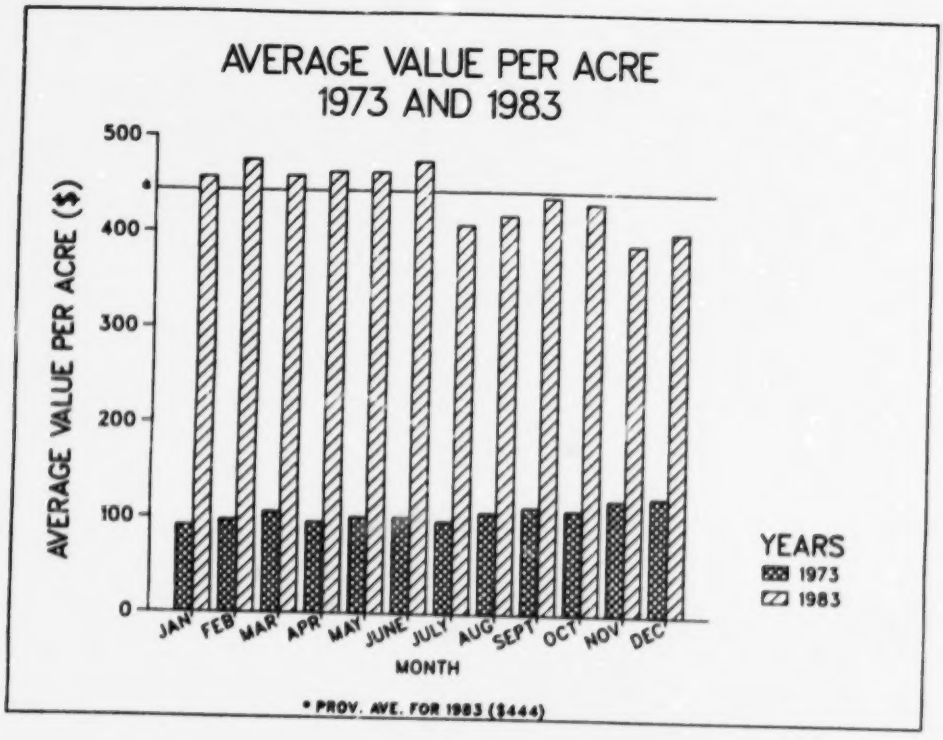

AVERAGE VALUE PER ACRE BY MUNICIPALITY
(1971 AND 1983–REAL AND ABSOLUTE VALUES)
AVERAGE VALUE PER ACRE
800
600
400
200
0
CO17
CO18
CO19
CO20
CO21
CO22
CO23
CO24
CO25
CO26
CO27
CO28
CO29
CO30
CO31
MUNICIPALITY
AVERAGE VALUE

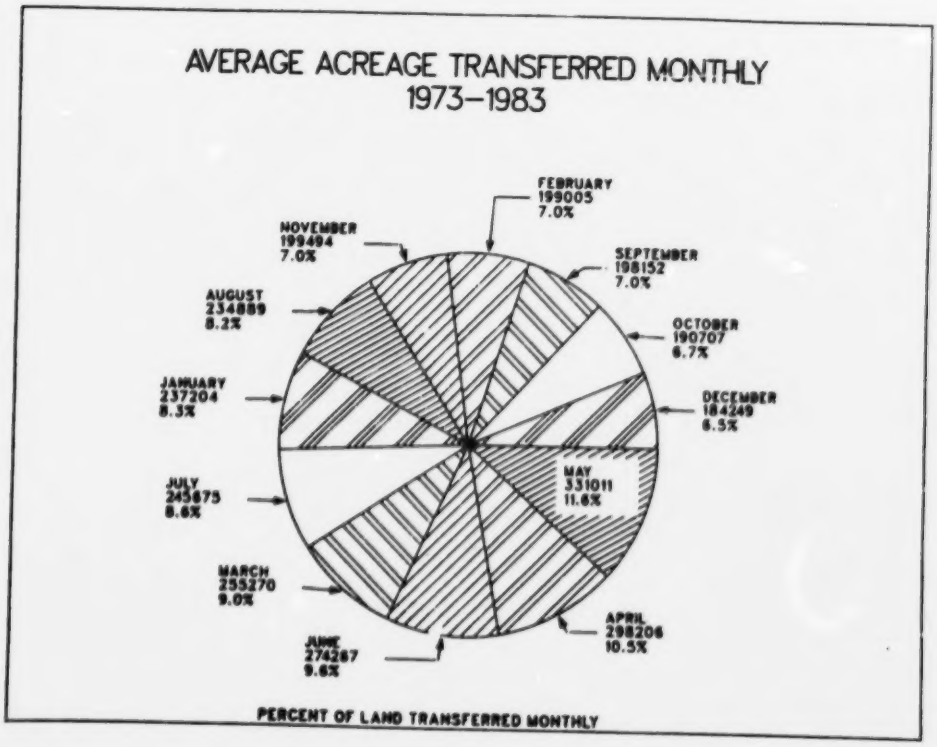

AVERAGE VALUE PER ACRE BY MUNICIPALITY
(1971 AND 1983–REAL AND ABSOLUTE VALUES)
AVERAGE VALUE PER ACRE
800
600
400
200
0
MD 6
MD 9
MD 14
MD26
MD31
MD34
MD44
MD47
MD48
MUNICIPALITY
AVERAGE VALUE

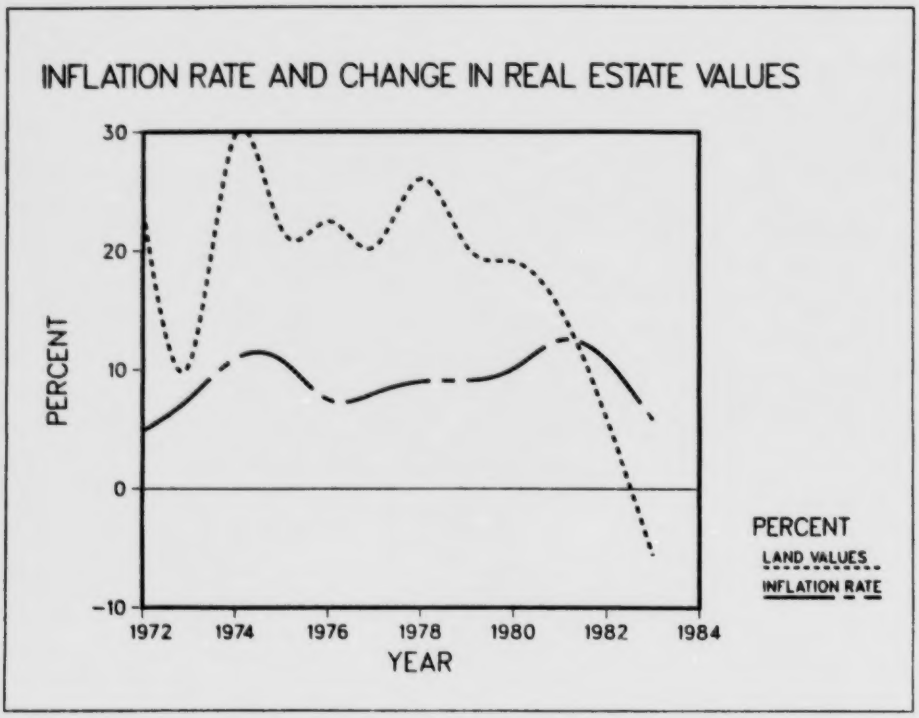

AVERAGE VALUE PER ACRE BY MUNICIPALITY
(1971 AND 1983–REAL AND ABSOLUTE VALUES)
AVERAGE VALUE PER ACRE
800
600
400
200
0
MD52
MD61
MD87
MD90
MD92
MD130
MD133
MD135
MD136
MUNICIPALITY
AVERAGE VALUE

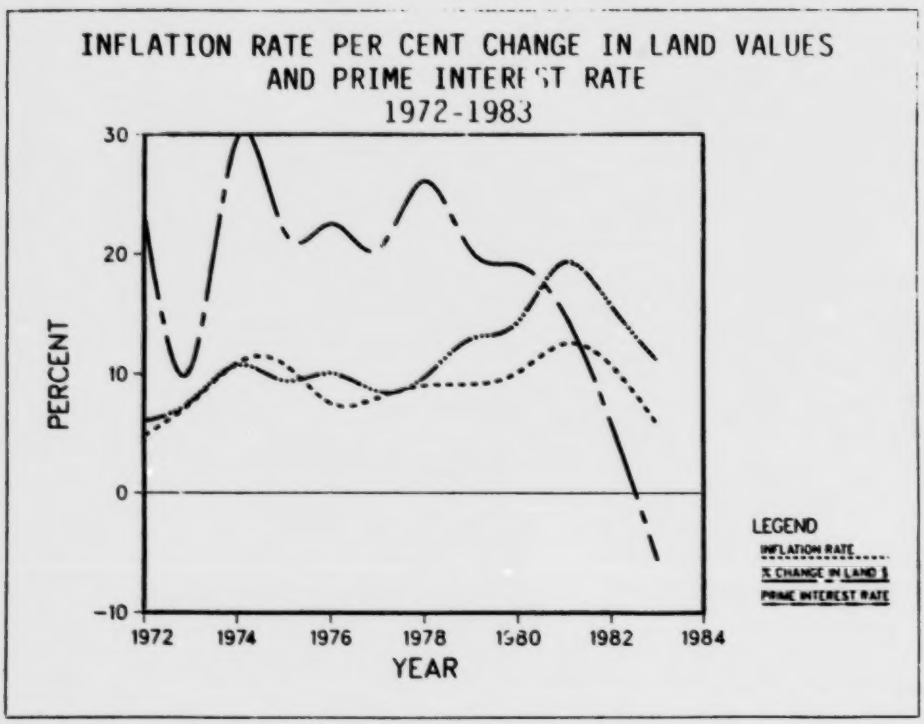

AVERAGE VALUE PER ACRE BY MUNICIPALITY
(1971 AND 1983–REAL AND ABSOLUTE VALUES)
AVERAGE VALUE PER ACRE
1,000
800
600
400
200
0
ID 1
ID 6
ID 7
ID 8
ID10
ID14
ID15
ID16
ID17
MUNICIPALITY
AVERAGE VALUE


AVERAGE VALUE PER ACRE BY MUNICIPALITY
(1971 AND 1983–REAL AND ABSOLUTE VALUES)
AVERAGE VALUE PER ACRE
400
300
200
100
0
ID18
ID19
ID20
ID21
ID22
ID23
SA 2
SA 3
SA 4
MUNICIPALITY
AVERAGE VALUE


AVERAGE VALUE PER ACRE
1973 AND 1983
AVERAGE VALUE PER ACRE ($)
500
400
300
200
100
0
*
JAN
FEB
MAR
APR
MAY
JUNE
JULY
AUG
SEPT
OCT
NOV
DEC
MONTH
YEARS
1973
1983
* PROV. AVE. FOR 1983 ($444)


AVERAGE ACREAGE TRANSFERRED MONTHLY
1973–1983
FEBRUARY
199003
7.0%
SEPTEMBER
198152
7.0%
OCTOBER
190707
6.7%
DECEMBER
184249
6.5%
MAY
331011
11.6%
APRIL
298206
10.5%
JUNE
274267
9.6%
MARCH
255270
9.0%
JULY
245875
8.6%
JANUARY
237204
8.3%
AUGUST
234889
8.2%
NOVEMBER
199494
7.0%
PERCENT OF LAND TRANSFERRED MONTHLY


INFLATION RATE AND CHANGE IN REAL ESTATE VALUES
30
20
10
0
−10
PERCENT
1972
1974
1976
1978
1980
1982
1984
YEAR
PERCENT
LAND VALUES
INFLATION RATE


INFLATION RATE PER CENT CHANGE IN LAND VALUES
AND PRIME INTEREST RATE
1972-1983
30
20
10
0
−10
PERCENT
1972
1974
1976
1978
1980
1982
1984
YEAR
LEGEND
INFLATION RATE
% CHANGE IN LAND $
PRIME INTEREST RATE

APPENDIX A

LAND TRANSFER DOCUMENT (SAMPLE)

ASSURANCE FUND VALUES

LAND TITLES

FORM 39

(Section 161)

I, ... of
(name in full)

Canada
Province of Alberta .....
(residence) (occupation)

Make Oath and Say:

1. I am (one of) the transferee (or agent of the transferee) named in the within or annexed transfer and I know the lands therein described.
2. I know the circumstances of the said transfer and the true consideration paid by me is as follows: (Give full details: cash, assumption of mortgage, exchange or other consideration with cash value of same).
3. The transferor named in the said transfer is the person from whom I acquired the said lands. (If otherwise, give particulars).
4. The present value of the land, in my opinion, is $.....
("Land" includes buildings and all other improvements affixed to the land).

Sworn before me at the .....
of .....in the
Province of Alberta, this .....
..... day of ....
A.D. ..... (signature)

.....
(Commissioner for Oaths in and for
the Province of Alberta).

(R.S.A. 1955, c. 170 Schedule, Form 39:
Alta. Reg. 33/57 & 165/57)

APPENDIX B

SELECTED TRANSFER FEES

SELECTED TRANSFER FEES

With the registration of a transfer of title under the Land Titles Act; there are certain fees charged that are dependant upon the "assurance fund value" indicated by the purchaser of his agent in the Affidavit of Transferee (Appendix A). The following excerpts were taken from the Registrars Tariffs of Fees (Alberta Regulation 360/78 as amended, effective January 30, 1980).[1]

1. the following fees are hereby prescribed as:
   a) the fees for the performance of a duty by the Registrar; and
   b) the assurance fund fees.

2. For each fee prescribed 95 per cent of the total amount is payable as the fee for the performance of the duty specified and 5 per cent of the total amount is payable as the assurance fund fees.

FEES ON GRANTS FROM THE CROWN

3. For registering a Transfer, a Vesting Order of and application to bring land under the Land Titles Act:

   a) where the value of the property does not exceed $10,000 ..... $10.00
   b) where the value of the property exceeds $10,000 ..... $10.00
   i) in addition for each $1,000 or fraction thereof over $10,000 and up to $100,000 ..... $1.00
   ii) in addition for each $1,000 or fraction thereof over $100,000 ..... $0.50

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1. Forwarded by Ken Payne, Assistant Inspector of Land Titles offices, Edmonton, July 17, 1981.